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Center for Venture Research

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THE ANGEL INVESTOR MARKET IN Q1Q2 2015: MODEST CHANGES IN DEALS AND DOLLARS

Market Size

The angel investor market in Q1,2 2015 showed signs that the six year moderate growth has stabilized in the first half of 2015. Total investments in Q1,2 2015 were \$10.5 billion, an increase of 4.1% over Q1,2 2014, according to the **Center for Venture Research** at the University of New Hampshire. A total of 29,500 entrepreneurial ventures received angel funding in Q1,2 2015, a 2.5% decrease from Q1,2 2014, and the number of active investors in Q1,2 2015 was 145,135 individuals, an modest increase of 1.4% from Q1,2 2014. The increase in total dollars and the decrease in total investments (deals) resulted in a deal size of \$354,845 in Q1,2 2015, an increase from the deal size in Q1,2 2014 of \$332,120. These data indicate that angels remain a major factor in this investment class and at valuations similar to Q1,2 2014. The market exhibited modest changes in the number of deals (decrease) and investment dollars (increase) compared to Q1,2 2014 and ended a steady increase in deals since 2010.

Stage

Angels continue their presence in seed and start-up stage investing, with 31% of Q1,2 2015 angel investments in the seed and start-up stage, however this exhibits a decrease in the seed and start-up stage investing from Q1,2 2014 (36%). There was an accompanying shift to early stage (post seed and start-up) financing to 51% of investments in Q1,2 2015 from 42% in Q1,2 2014. Expansion stage financing declined significantly to 15% in Q1,2 2015 from 22% in the same period in 2014. Historically angels have been the major source of seed and start-up capital for entrepreneurs and while this activity in seed and start-up investing is an encouraging sign, angel seed/start-up investments has remained consistently below the pre-2008 peak of 55%, signifying that there continues to be a need for seed and start-up capital for both new venture formation and job creation. New, first sequence, investments represent 50% of Q1,2 2015 angel activity, up 10% from Q1,2 2014.

Job Growth

Angel investments contributed to job growth with the creation of 84,370 new jobs in the United States in Q1,2 2015, or 2.86 jobs per angel investment, down slightly from 3.2 in Q1,2 2014.

Valuation

The average angel deal size in Q1,2 2015 was \$354,845, an increase of 6.8% from Q1,2 2014, and the average equity received was 13.2% with a deal valuation of \$2.7 million.

Sector Analysis

Software accounted for the largest share of investments, with 19% of total angel investments in Q1,2 2015, followed by Healthcare Services/Medical Devices and Equipment (17%), Industrial/Energy (11%), Biotech (10.5%), Retail (10.3%) and Media (6%). Industrial/Energy (clean tech) investing has been a consistent performer since 2009.

Sector	Software	Healthcare	Industrial/Energy	Biotech	Retail	Media
Deals	19%	17%	11%	10.5%	10.3%	6%

Yield Rates

The yield (acceptance) rate is defined as the percentage of investment opportunities that are brought to the attention of investors that result in an investment. In Q1,2 2015 the yield rate was 20.0%, virtually unchanged from 2014 (21.2%). This yield rate reflects a reasonable approach to investing by angels but it also reflects the difficulty for entrepreneurs to secure angel funding.

Women and Minority Entrepreneurs and Investors

In Q1,2 2015 women angels represented 24.2% of the angel market, a slight increase from Q1,2 2014 (21.5%). Women-owned ventures accounted for 26% of the entrepreneurs that are seeking angel capital and 14.4% of these women entrepreneurs received angel investment in Q1,2 2015. For Q1,2 2015 the percentage of women that received angel investments is low compared to the overall market yield rate and this may indicate that some of these women led ventures are not “investor ready.”

Minority angels accounted for 4.9% of the angel population and minority-owned firms represented 5.6% of the entrepreneurs that presented their business concept to angels. The yield rate for these minority-owned firms was 18.5%, which is comparable to the market yield rate of 20%. While the yield rate in encouraging the small percentage of minority-owned firms seeking angel capital remains low.

The **Center for Venture Research (CVR)** has been conducting research on the angel market since 1980. The CVR’s mission is to provide an understanding of the angel market through quality research. The CVR is dedicated to providing reliable and timely information on the angel market to entrepreneurs, private investors and public policymakers.

The Center for Venture Research would like to thank all the angel groups and individual angels that participate in our research efforts. The response rate for this survey was 19%. The Center for Venture Research also provides seminars to angels and entrepreneurs, and research reports on aspects of the angel market are also available. For more information visit <http://paulcollege.unh.edu/research/center-venture-research> or contact the CVR at 603-862-3341.

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